

Vice-Chairman Steve Ostler
Director Kevin S. Carter

Agenda for Board of Trustees
School & Institutional Trust Lands Administration
Moab, Utah
October 10, 2012

AGENDA

Attending:

Board

Steve Ostler
Dave Ure
James Lekas
Tom Bachtell
Mike Mower

Staff

Kevin Carter
Kim Christy
Tom Faddies
LaVonne Garrison
Lisa Schneider
Ron Carlson
John Andrews
NormaLee McMichael
Bryan Torgerson
Kay Burton
Nannette Johnson

Others in Attendance:

Margaret Bird, Utah State Office of Education
Tim Donaldson, Utah State Office of Education
Gene Ciarus, Grand County Commission
John Weisheit, Living Rivers

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1. Welcome

Vice-Chairman Steve Ostler conducted the meeting and welcomed everyone. He extended appreciation to those who put together the events in Moab. He expressed gratitude on behalf of the members of the Board for the opportunity to understand the efforts by staff to manage land for the benefit of the trust.

Mike Mower introduced Gene Ciarus, Grand County Council Member, and thanked him for taking time to attend Board meetings.

2. Approval of Board Minutes of August 16, 2012

Mr. Ostler asked for comments on the minutes of August 16, 2012, followed by a request for a motion to approve the minutes. The Board approved the minutes.

“I make a motion the Board approve the minutes of August 16, 2012.”

Ure/Lekas Unanimously approved

Roll Call:

Steve Ostler – yes Dave Ure – yes
James Lekas – yes Mike Mower – yes
Tom Bachtell – yes

3. Confirmation of Upcoming Meeting Dates

November 8 Salt Lake City
December No Meeting

Director Carter discussed a request from the Division of Oil, Gas, and Mining to meet with the Board members. A meeting will be considered to take place after an upcoming Board meeting. The agency will provide a list of suggested dates for future Board meetings at the November meeting. Uintah Basin is one consideration for a Board tour in the spring.

4. Chairman's Report

a. Beneficiary Report: Status of the Inter-beneficiary Loan Committee's Work

Before beginning the planned presentation, Margaret Bird announced Trust Lands Day at the Legislature scheduled for February 20, 2013. Work is underway on a proclamation. Ms. Bird requested participation from Noon to 2:00 p.m. when recognition will occur. There will be training opportunities for legislators and others in the morning.

Ms. Bird referred to the May Board meeting discussion on assigning a subcommittee for drafting policy to address loans between trusts. Lisa Schneider provided additional information to clarify how the loans occurred and where the balance now stands.

Dave Ure stressed a need to address concerns to maintain the agency's good management record.

Lisa Schneider provided clarification of two aspects of the loans between trusts. One is the development cost at SunCor. The other is a requirement for the Miner's Hospital to provide services based on a settlement to cover medical cost for miners who have exhausted all other

4. Chairman's Report (Cont'd)

a. Beneficiary Report (Cont'd)

resources. Dave Ure mentioned the legislative audit was discussed at a meeting of the Utah Association of Counties. Ms. Schneider speculated the discussion is likely to determine how money is spent within the programs. Ms. Schneider pointed out SITLA is a pass-through entity for the funds and not part of hospital or fund management decisions.

Director Carter mentioned the problem is in the request for money. Annual requests became more money than the hospital grant earned. The agency is no longer distributing more money than what is earned. The Miner's Hospital still owes the schools for the money distributed in the past. Ms. Schneider reported the balance sheet shows a negative balance of \$4.3 million.

A discussion stressed the need for the state treasurer, the Miners' Hospital, and the legislature to resolve the issue. Director Carter told the Board he has recused himself from the matter due to his daughter's employment with the legal firm that handled the lawsuit resulting in the settlement. He assigned Ron Carlson to work with the subcommittee.

Ms. Bird requested a follow-up for a Board member assignment to review policy in this matter. Steve Ostler reported he accepted the assignment from Chairman Brown. The subcommittee has included Mr. Ostler in meetings. He will continue attending the meetings.

5. Director's Report

a. Western States Land Commissioners Association Conference in Oklahoma

Director Carter reminded Board members of the opportunity to attend the WSLCA conference, January 13-17, 2013. He pointed out the conference is an excellent way to learn about efforts underway in other states.

Mike Mower recognized staff in Utah for the efforts to coordinate so much of the work of the Association. Director Carter mentioned Lisa Schneider is the current secretary for the Association. Dave Hebertson served as secretary before Ms. Schneider. Director Carter held the position for 10 years. The efforts of Utah staff help keep important issues alive in western states.

b. Policy for Public Discussion at Board Meetings

Director Carter asked the Board if they would like to consider a policy to address the increase in requests for time on the Board's agenda from the public. He suggested a policy would provide structure to public time on the agenda.

Mr. Mower expressed support for structure to prevent public comment from bringing meetings to a halt. He also suggested a two-minute limit to public comments. Mr. Ure suggested comments be relevant to topics on the agenda and a strict policy for no demonstrations during a meeting. He also recommended a time limit for comments. Jim Lekas added support for public comment but suggested any relevant topic may be addressed whether it is on the current agenda or not. Tom Bachtell suggested a policy include a reminder of the duty to the beneficiaries, not the public, on the topics presented by members of the public. Dave Ure accepted the assignment to draft a policy for Board review at the next meeting.

c. Draft Board Environmental Compliance Policy

Director Carter provided a review of the research by a policy committee to address increased environmental responsibility. He pointed out regulatory entities cannot provide all the oversight needed to prevent issues such as the Cook lease from occurring. He stressed the need for a more aggressive stand to avoid costs to beneficiaries for cleanup. Director Carter further suggested a review of the current practice of reclamation bonding.

Director Carter outlined for the Board the approach the policy committee took and informed the Board one of the reasons the EPA settlement was lower than originally defined was due to the proactive approach to preventing future environmental issues from occurring.

Director Carter reviewed topics from the draft policy in a PowerPoint presentation.

- The activities of the Administration and its contractors will comply with all applicable environmental laws and regulations.
- The Administration will require its lessees and other users of trust lands to comply with all applicable environmental laws and regulations.
- Where appropriate or necessary, the Administration will provide support and guidance to lessees to facilitate their compliance with environmental law and implementation of best management practices.
- The Administration will fully cooperate with applicable regulatory agencies.
- The Administration is instructed to conduct periodic reviews and audits of facilities on leased trust lands within each operational program for compliance with applicable environmental law, both in coordination with and supplemental to the activities of authorized regulatory agencies.
- The Administration is expected to conduct regular training on environmental compliance and best environmental management practices so that employees are trained to recognize potential environmental risks and take or require appropriate corrective actions.
- Administration employees are expected to report known issues of non-compliance with applicable environmental laws and regulations fully and in a timely manner to management.

Vice-Chairman, Steve Ostler asked for Board input and consideration for implementation of the draft policy. Tom Bachtell indicated because environmental law is a complex issue, he does not think the Administration should conduct compliance inspections. He stressed the inspections should be completed by those trained in regulatory compliance. Mr. Bachtell spoke of his concern for an understanding that the agency did not make the mistakes referenced in the presentation. Rather, the leaseholder made the mistakes. He suggested the policy define a process for leaseholders to work directly with the leasing work group for verification of compliance.

5. Director's Report (Cont'd)

c. Draft Board Environmental Compliance Policy (Cont'd)

Director Carter mentioned having a similar perspective for regulatory agencies conducting inspections until he learned the regulatory agency was not able to provide the service as needed. Director Carter also pointed out the cleanup from the Cook lease cost the beneficiaries approximately \$500,000 and the lease probably only generated around \$50,000 in revenue.

John Andrews discussed the background for the policy was based on the identification of a gap analysis revealing there are work areas that include regulatory inspections and areas that do not.

Jim Lekas provided a perspective as a former SITLA leaseholder describing the number of regulatory inspections required on a work site and the time required by the business owner to accommodate the inspections. He further discussed the compliance measures for oil, gas, and mining are well enforced. He recommended the policy require proof of compliance instead of inspection by agency staff. He asked for more time to review the draft policy.

The vice-chairman asked Jim Lekas and Tom Bachtell to work with the agency as Board representation to review the draft Environmental Compliance policy presented.

d. Update on DWR Land Exchange

Doug Buchi was brought into the meeting by phone for this agenda item. Kim Christy provided a history of the land exchange for the Mountain Corridor project at 5600 West. He outlined how the Division of Wildlife Resources (DWR) and Utah Department of Transportation (UDOT) became involved in the transaction with SITLA. UDOT received approval to proceed with phase one of the project. A recent appraisal provided a higher value for the land in the exchange than anticipated.

Mr. Christy provided information on the potential for sale of industrial land after an exchange. Doug Buchi indicated that industrial property, specifically in the area of the exchange to SITLA, has long-term potential in ownership to weigh against the potential for a quick sale.

Mr. Lekas asked why restricted desert tortoise land was not part of the phase one exchanges. Mr. Buchi explained the project has always been two transactions. The first is to accommodate UDOT, while the second phase was to accommodate development. The agency was pleased when DWR agreed to exchange desert tortoise land in discussions related to exchanges in phase two. The exchange allows the restricted land for desert tortoise to be in the hands of the Division of Wildlife Resources rather than trust lands.

Margaret Bird asked about a strip of land shown in the aerial maps that is not included as part of the exchange. The strip of land is a road providing access to the property and increasing the value of the land on either side of the road.

Ms. Bird asked for a hold on the exchange to consider an auction where SITLA may obtain a higher bid for the land. Many expressed concern for a hold on the exchange indicating if the agency decides to seek bids after an agreement; the change of direction will present the agency as untrustworthy. Ms. Bird indicated DWR could still obtain the land in an auction.

5. Director's Report (Cont'd)

d. Update on DWR Land Exchange (Cont'd)

Mr. Lekas asked if there is any potential for conflict with surrounding landowners that would prevent development or sale of the land acquired in the exchange. Kim Christy indicated the surrounding areas are not in conflict and are designed for industrial use. The research identified a road is in place and on record with the county to provide established access. The easement cost will be considered in the value of exchange on the second phase.

Kim Christy presented a map depicting the areas for exchange consideration in phase two of the project. Much of the map included exchanges for land in sage grouse habitat that cannot be developed for the benefit of the trust.

Mr. Christy summarized to say there are changes in the transaction since the project was presented in the spring. The agency is still interested in the Board's support for exchange and acquisition of the land along the Mountain Corridor for development or sale.

Tom Bachtell asked if there was consideration given to future value of the land. John Andrews provided the response to say there is a trend in the history of this site and others like it of increased value.

Margaret Bird asked about the discoloration on the aerial map presented in a portion of the land for exchange. Doug Buchi indicated the site has already been assessed and no concerns for the presence of water were identified. Ms. Bird also asked if UDOT was paying a similar amount for the other parts of the Mountain Corridor they are purchasing. Mr. Christy indicated the land values vary along the corridor.

Steve Ostler asked the Board if they had any opposition with the agency moving forward with the transaction. No opposition was expressed. The transaction will progress.

e. Recreation Exchange Update

John Andrews provided an update on the recreation exchange with BLM. He reported progress on defining appraisal providers for both surface and subsurface. The appraisals come at a time when natural gas prices are low and will allow the agency to obtain the land at a more reasonable rate than the agency would have realized in 2008.

Tom Bachtell asked why the agency is exchanging more land for less land. Director Carter pointed out the agency is acquiring land with higher value to the trust in the exchange. Mr. Bachtell asked how the value is determined for scenic land. Mr. Andrews indicated BLM regulations require appraisals to consider wilderness, scenic, cultural, etc. to the extent those values are considered in the market place.

John Andrews provided the Board with an update on the Seep Ridge Road. SUWA filed a lawsuit to halt work on the last 19 miles of road construction stating the BLM failed to assess impact. The judge defined an expedited schedule for briefs with a decision to be made quickly. The judge found in favor of completion of the road.

- 5. Director's Report (Cont'd)
 - e. Recreation Exchange Update (Cont'd)
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Appreciation was expressed for John Andrews and his work group for the diligence demonstrated to complete the briefs on a short timeline in a manner that assisted in the judge's decision to continue with the construction of the Seep Ridge Road.

6. Consent Calendar

- a. Kane Springs Cooperative Management Agreement with BLM.

No comments were provided

Notification

- b. Minor Development Transaction - - Sale of 0.58 Acre Parcel in Big Water

No comments were provided

Follow-up after Six Months

- c. OBA Non-Competitive Exploration Agreement and Lease for Metalliferous Minerals – Bridger Jack Mesa, San Juan County

No comments were provided

- d. OBA Non-Competitive Gilsonite Lease of Trust Lands in Willow Creek Gilsonite Area of Uintah County

No comments were provided